

FOCUS

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2011-13 budget recap (I): Budget basics

The 2011-13 state budget is now law. General fund spending totals \$29.03 billion (b), or 7.6% more than the estimated total (\$26.99b) for 2009-11. Adding federal aid and various user charges yields an “all-funds” budget of \$64.32b, an increase of 3.5% over the prior two years. The story of this budget is the replacement of one-time federal stimulus dollars with ongoing general fund taxes, and the \$1.4b growth in Medicaid at the expense of most other programs.

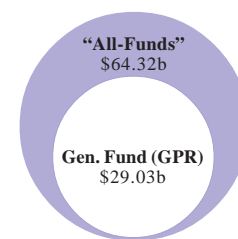
Capitol notes

- The UW System Board of Regents approved a 5.5% tuition increase for 2011-12, the maximum allowed under the new state budget.
- Gov. Walker (R) recently signed a bill allowing the governor to appoint the Department of Veterans Affairs secretary, as he does other cabinet secretaries.
- For those paying 2010-11 property taxes in installments, July 31 is the due date for payment in most municipalities.
- By citizen petition, a constitutional amendment to eliminate property taxes in North Dakota will be on a June 2012 statewide ballot.
- Undergraduate full-time equivalent (FTE) enrollment at UW colleges and universities was up 13% from 2001 to 2010. The largest gains were at Platteville (38.1%), Milwaukee (34.3%), and River Falls (15.5%). Madison (2.6%), Parkside (5.2%), and Eau Claire (5.4%) had smallest gains. Enrollment at two-year colleges was up nearly 15%.

Building a state budget is like remodeling an old house. The work is long and hard and often dirty. Occasionally, unanticipated problems cause tempers to flare. And inevitably, the bottom line remains elusive until the end. Only after the dust—cracked plaster or fractured politics—settles can the work be inspected.

When Governor Scott Walker (R) signed the 2011-13 state budget on June 26, the dust from months of partisan sniping could begin to clear. And answers to a few basic questions about the budget (Act 32) became possible. Subsequent issues of *Focus* will explore specifics of the state’s two-year spending plan.

Budget in a Budget
State Spending, 2011-13



(below, left). The first, the general fund (or GPR) budget, would spend \$29.03 billion (b) over the next two years. This budget attracts the most attention because it is supported almost entirely with state taxes, chiefly on income, sales, businesses, and “sin” items.

The GPR budget is part of a larger “all-funds” budget that calls for \$64.32b in expenditures over the same period. In addition to state taxes, other revenue sources include \$19.08b in federal monies and \$16.22b in various user fees and program charges, such as gas taxes and tuition.

■ **Growth.** Much talk of a mid-2013 general fund deficit exceeding \$3b and probable budget cuts left an impression that GPR spending would fall this year and next. In reality, it will rise. The table below recaps those figures.

Actual spending in 2009-10 was \$12.82b and base estimates for 2010-11 are \$14.17b, for a 2009-11 total of \$26.99b (see notes for details on calculations). Expenditures budgeted for the next two years are \$14.19b and \$14.83b, respectively, or \$29.03b overall. Based on these figures, GPR spending would rise 7.6% from one biennium to the next.

How much . . . ?

The most basic budget question is probably “how much?” How much does state government plan to spend over the next two years, and how much more, or less, is that than in the prior biennium?

■ **Size.** Much like a Russian doll within a doll, the budget is really two

State Spdg. (All-Funds and GPR): 2011-13 Budget and Changes vs. 2001-03 and 2009-11
Individual Fiscal Years and Biennial Totals (\$ Billions)

Program	Fisc. Years		Total	Fisc. Years		Total	Fisc. Years		Total	and % Ch. vs.	
	01-02	02-03		09-10	10-11		11-12	12-13			
Tot. All-Funds	26.16	25.66	51.82	30.58	31.59	62.17	31.76	32.56	64.32	24.1	3.5
Tot. Gen. Fund	11.27	11.05	22.31	12.82	14.17	26.99	14.19	14.83	29.03	30.1	7.6
Medicaid	1.07	1.06	2.13	1.30	1.45	2.75	2.09	2.05	4.14	93.8	50.7
Corrections	0.82	0.85	1.67	1.08	1.15	2.23	1.11	1.15	2.25	34.6	1.1
K-12 Educ.	4.55	4.76	9.31	5.09	5.27	10.38	4.85	4.91	9.78	5.1	-5.7
Shared Rev's	1.02	1.02	2.05	0.83	0.88	1.71	0.89	0.82	1.71	-16.4	0.0
UW System	0.98	1.06	2.05	1.03	1.15	2.18	0.99	1.11	2.10	2.4	-3.8

Sources: LFB and AFR. Notes: FY10 actual; FY11 est. base year. K-12 educ. includes gen'l and categ. aid but not resid. schools. In FY10, \$236.7 million in federal money was paid on top of GPR. Medicaid figures are best estimates and include MA, BadgerCare, SeniorCare, and Family Care. Shared revenues include expenditure restraint program, shared revenue account, county and municipal aid, and public utility distribution account, but not aid for computers and other related tax-exempt property; FY03 includes GPR and tobacco bond proceeds.

The all-funds budget is growing less. Estimates for 2009-11 and 2011-13 are \$62.17b and \$64.32b, respectively, for a biennial increase of 3.5%.

That GPR spending is rising at twice the rate of its all-funds counterpart has more to do with 2009-11 than with 2011-13. During the prior biennium, one-time federal stimulus monies were used to delay major cuts in the state's two largest programs, school aids and medical assistance (MA or Medicaid) for the poor and disabled. With stimulus funds ending came the prospect of budget cuts.

. . . and where?

Cuts prompt a second basic question about the 2011-13 GPR budget: Where are state taxes being spent in the next two years? Who are the apparent budget "winners" and "losers?"

■ *State operations?* As the table (p. 1) shows, the bulk of GPR spending (about 69%) is concentrated in five areas. None is devoted to providing state services, except arguably corrections. Corrections included, less than 22% of the budget is used to run state government; excluded, that figure drops to about 18%.

■ *Local assistance?* What is surprising about the *state* GPR budget is that it funds primarily *local* governments, school and technical college districts, and property tax credits. Analysts call this part of the budget collectively "local assistance."

Of \$29.03b budgeted for the next two years, \$14.73b—over half (50.7%)—is for such assistance. Most goes to two of the "big five" programs: various school aids (\$9.78b, the largest share of the GPR budget at 33.7%) and shared revenues for counties and municipalities (\$1.71b, 5.9%).

Thus, when the state has a multi-billion-dollar deficit, local schools and governments are inevitably impacted. K-12 funding is falling about \$400m in 2011-12, from \$5.28b last year to \$4.86b this. Next year, it grows slightly, but off a lower base, to \$4.93b. For the biennium, state support for K-12 education is off 5.7% from the prior two years. In total, shared revenues are "flat."

■ *Prisons? UW?* Two other "big five" programs are growing little, if at all. Corrections spending, which comprises 7.8% of the GPR total, will equal \$2.25b, or 1.1% more than in 2009-11 (\$2.23b). Biennial spending on the UW System accounts for 7.2% of the GPR total and will fall 3.8%, from \$2.18b to \$2.10b.

■ *Medicaid!* Total GPR spending is up about \$2b (or 7.6%), yet four of the five largest programs are receiving little or none of this. The fifth, Medicaid, is the prime beneficiary. MA expenditures for 2009-11 totalled an estimated \$2.75b. In 2011-13, they are budgeted to jump over 50% to \$4.14b.

When the Walker administration began work on the MA budget last winter, it expected that, barring any corrective action, Medicaid would require \$1.8b in new funding. The budgeted increase was held to about \$1.4b. Even so, it can be argued that most state programs were cut to pay for Medicaid.

Long-term trends

The pattern of budget winners and losers in 2011-13 is similar to the decade-long trend (see table). Total GPR spending will have increased 30.1% from 2001-03 to the current biennium. Medicaid will have grown 93.8%. The average annual increases from 2001-02 have been 2.5% and 6.1%, respectively.

Other major programs have not fared as well. Only corrections spending (34.6%) has kept pace with overall GPR during 2001-13, but its growth has slowed in recent years. A big "winner" in the 1990s, K-12 funding growth has slowed during this decade (5.1%). GPR support for the UW System has essentially been flat (2.4%).

With Medicaid consuming most currently available revenues, the state faces a major challenge. Future funding of other GPR programs, notably K-12 and higher education, and general state fiscal health hinge on the state's ability to moderate MA spending growth, something it has not achieved in recent years.

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